



*Andrew H. Junkin, CFA, CIMA, CAIA
Managing Director and Principal*

July 23, 2008

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Assignment of the SIP Citistreet contract to ING

Dear Anne,

You requested Wilshire's opinion with respect to Staff's proposal that the current third party administrator services contract between Citistreet and the Supplemental Income Plans be assigned to ING as a result of the purchase of Citistreet by ING.

Recommendation

Wilshire recommends that the Investment Committee approve the assignment of the contract to ING in order for the Supplemental Income Plans to continue to receive these vital services. As we noted in our opinion letter dated May 28, 2008, we believe that ING's acquisition of Citistreet will have minimal, if any, impact on the service that CalPERS is receiving from Citistreet.

Discussion

As we noted in our earlier letter, for ING, this acquisition is very logical. First, ING stated that Citistreet's recordkeeping/administration technology, which will be the surviving technology, is superior to ING's current technology. As a result, CalPERS will experience no changes to the systems that are used to service the Supplemental Income Plans. Second, ING views the Citistreet acquisition as an additional distribution channel for their investment products, which they view as a core business line. While this is a logical view from ING's perspective, it should not have any impact on the Supplemental Investment Plans. Importantly, ING believes the first key success factor in this integration is not disturbing the current business of Citistreet.

Based on our meetings with ING and information gathered from other ING customers, we are confident that CalPERS should continue to receive the same level of service to which it has become accustomed.

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Conclusion

Wilshire believes that the Investment Committee should approve assigning the Supplemental Income Plans' contract with Citistreet to ING as the third-party administrator. We will continue to monitor the integration of this acquisition and, working in concert with Staff, will continue to evaluate the effectiveness of ING as the Supplemental Income Plans' third party administrator.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Anne Stausboll". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.